for mine preparation and the construction of mining and milling plants. These initial expenditures had been financed for the most part by short-term loans. The financing difficulties resulted from the fact that these producers, for reasons beyond their control, could not get their mines into production in sufficient time to obtain a full five years of production and, as a consequence, would not obtain a full write-off of capital and preproduction expenditures. The failure of these producers to get into production would have resulted in deliveries substantially below the level needed to meet the requirements of the United States Atomic Energy Commission in the period up to March 31st, 1962, and the requirements of the United Kingdom Atomic Energy Authority, to which reference will be made in a subsequent paragraph. Following discussions with the United States Atomic Energy Commission in September 1956, it was agreed that the Special Price Formula would be modified as follows, this modification to apply to those producers which, because of a late start-up, would not obtain a full five years of production under the existing special price formula:

(*a*) to increase the quantity of the contracts by an amount sufficient to provide for a full write-off of estimated allowable preproduction and capital expenses, applying the amortization factor which was used in the calculation of the original contract price;

(*b*) to extend the date for the termination of deliveries from March 31, 1962, to March 31, 1963;

(*c*) the price to be paid for deliveries after March 31, 1962, to be the original contract price or $8.00 (U.S.) per pound plus the amortization factor, whichever is the lower.

All contracts written by Eldorado for the purchase of uranium have been in accordance with the special price formula.

61. The following points with respect to the special price formula should be noted:

(1) Every contract which Eldorado entered into with a producer was covered by a corresponding contract with the United States atomic energy commission. In view of the large dollar commitments involved, Eldorado followed the practice of obtaining a letter of intent from the commisison before a letter of intent or a contract was given to the producer.

(2) Eldorado has never derived any profit from these transactions and has always absorbed all the administrative charges involved.

(3) The basic contracts called for payment in Canadian currency except where noted above in (c). Consequently the Canadian producers were protected against losses which would have ensued during the past few years when the U.S. dollar was at a discount.

(4) The contracts with the producers call for deliveries at a specified rate per month.

(5) Eldorado's contracts with the producers and Eldorado's contracts with the buyer provided for options on quantities to be produced after the completion of deliveries under existing contracts. These options took two forms:

(i) In the earlier contracts, that is, in the contracts negotiated prior to the modification of the special price formula in September 1956, the option reads as follows:

If at or shortly prior to expiration of the contract term or if upon completion of deliveries hereunder, there remain ore reserves available to the producer for treatment in the producer's mill after such expiration or completion, then upon written request by